



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of St. Clair County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of St. Clair County, Missouri, for the two years ended December 31, 2002. A copy of this audit which was performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2003-66
July 8, 2003

ST. CLAIR COUNTY, MISSOURI

FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

ST. CLAIR COUNTY, MISSOURI

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FINANCIAL SECTION

Independent Auditors' Reports

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of St. Clair County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 2002 and 2001, as identified in the table of contents. These special-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County and are not intended to be a complete presentation of the financial position and results of operations of those funds or of St. Clair County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2002 and 2001, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying special purpose financial statements have been prepared assuming that the St. Clair County Health Center will continue as a going concern. As discussed in Note 4 to the special purpose financial statements, the Health Center has needed to increase its short-term loans, which includes tax anticipation notes, in order to meet the Center's cash flow needs. If cash receipts and disbursements remain unchanged for the next year the Center will be required to borrow more than what the Center would receive in tax revenues. These conditions raise a substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 4. The special purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed by Auditor

February 13, 2003

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of St. Clair County, Missouri

We have audited the special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon, dated February 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of St. Clair County, Missouri are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 02-1.

We have also noted certain immaterial instances of noncompliance that we have reported to management of St. Clair County, Missouri in a separate letter dated February 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of St. Clair County, Missouri, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Clair County's ability to record, process, summarize and report financial data consistent with the assertions of management in the special purpose financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-2 and 02-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the County Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

February 13, 2003

Financial Statements

Exhibit A-1

ST. CLAIR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 Year Ended December 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 223,206	\$ 3,294,661	\$ 2,788,301	\$ 729,566
Special Road and Bridge	261,801	946,035	960,354	247,482
Assessment	18,278	113,123	118,945	12,456
Law Enforcement Training	8,179	4,302	8,631	3,850
Prosecuting Attorney Training	1,322	788	908	1,202
Lake Patrol	9,112	39,284	23,062	25,334
Recorder's Maintenance	45,789	14,751	3,792	56,748
Prosecuting Attorney Administrative	12,221	5,801	16,510	1,512
Sheriff Drug	1,001	-	-	1,001
Sheriff Civil Fees	3,850	10,896	5,742	9,004
Local Emergency Planning Commission	7,853	4,796	5,007	7,642
Domestic Violence	205	358	413	150
Circuit Clerk Interest	13,736	4,036	4,235	13,537
Law Library	3,669	3,992	3,656	4,005
Health Center	15,013	898,133	905,733	7,413
Election Services Fund	3,591	3,189	1,505	5,275
Tax Maintenance	-	134	134	-
TOTAL	\$ 628,826	\$ 5,344,279	\$ 4,846,928	\$ 1,126,177

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

ST. CLAIR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 Year Ended December 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 114,970	\$ 2,786,326	\$ 2,678,090	\$ 223,206
Special Road and Bridge	283,380	914,519	936,098	261,801
Assessment	15,979	115,836	113,537	18,278
Law Enforcement Training	10,413	4,600	6,834	8,179
Prosecuting Attorney Training	722	699	99	1,322
Lake Patrol	16,291	26,951	34,130	9,112
Recorder's Maintenance	39,494	8,506	2,211	45,789
Prosecuting Attorney Administrative	12,077	5,160	5,016	12,221
Sheriff Drug	1,001	-	-	1,001
Federal Prisoner Medical	444	6,328	6,772	-
Sheriff Civil Fees	7,769	11,884	15,803	3,850
Local Emergency Planning Commission	5,445	4,590	2,182	7,853
Domestic Violence	250	435	480	205
Circuit Clerk Interest	10,396	5,440	2,100	13,736
Law Library	3,999	3,724	4,054	3,669
Health Center	10,717	845,593	841,297	15,013
Election Services Fund	2,175	1,746	330	3,591
TOTAL	<u>\$ 535,522</u>	<u>\$ 4,742,337</u>	<u>\$ 4,649,033</u>	<u>\$ 628,826</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 4,751,488	\$ 5,344,279	\$ 592,791	\$ 4,813,885	\$ 4,742,337	\$ (71,548)
DISBURSEMENTS	5,179,422	4,846,928	332,494	5,214,166	4,649,033	565,133
RECEIPTS OVER (UNDER)	(427,934)	497,351	925,285	(400,281)	93,304	493,585
CASH, January 1	628,826	628,826	-	535,522	535,522	-
CASH, December 31	\$ 200,892	\$ 1,126,177	\$ 925,285	\$ 135,241	\$ 628,826	\$ 493,585
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	\$ 256,156	\$ 295,259	\$ 39,103	\$ 254,648	\$ 278,399	\$ 23,751
Sales taxes	235,000	252,974	17,974	235,000	244,080	9,080
Intergovernmental	2,097,330	2,405,156	307,826	1,819,490	1,842,645	23,155
Charges for services	216,350	231,433	15,083	137,350	201,221	63,871
Interest	19,000	31,325	12,325	10,000	17,566	7,566
Bank loan	-	-	-	190,000	125,128	(64,872)
Other	19,406	28,715	9,309	65,650	38,691	(26,959)
Transfers in	45,816	49,799	3,983	34,400	38,596	4,196
TOTAL RECEIPTS	2,889,058	3,294,661	405,603	2,746,538	2,786,326	39,788
DISBURSEMENTS						
County Commission	85,300	82,270	3,030	83,963	80,610	3,353
County Clerk	88,805	86,550	2,255	94,440	91,518	2,922
Elections	54,406	46,941	7,465	23,410	11,665	11,745
Buildings and grounds	111,456	106,180	5,276	250,412	264,720	(14,308)
County Treasurer	33,203	31,783	1,420	31,519	30,298	1,221
County Collector	85,598	82,324	3,274	81,769	76,039	5,730
Ex Officio Recorder of Deeds	22,786	16,442	6,344	25,687	19,155	6,532
Circuit Clerk	19,960	17,320	2,640	22,135	19,585	2,550
Court administration	19,521	4,596	14,925	26,695	17,067	9,628
Public Administrator	17,674	16,031	1,643	16,199	14,256	1,943
Sheriff	275,418	250,671	24,747	283,857	271,116	12,741
Jail	1,745,916	1,709,730	36,186	1,441,873	1,467,185	(25,312)
Prosecuting Attorney	92,146	83,913	8,233	100,521	99,883	638
Juvenile Officer	36,751	28,139	8,612	34,920	22,643	12,277
County Coroner	12,977	10,847	2,130	12,627	10,793	1,834
Health and welfare	800	2,215	(1,415)	800	800	-
Debt service	132,730	132,730	-	150,000	66,439	83,561
Other	88,525	55,754	32,771	81,916	61,959	19,957
Emergency fund	86,675	-	86,675	84,200	27,748	56,452
Transfers out	36,955	23,865	13,090	35,000	24,611	10,389
TOTAL DISBURSEMENTS	3,047,602	2,788,301	259,301	2,881,943	2,678,090	203,853
RECEIPTS OVER (UNDER)	(158,544)	506,360	664,904	(135,405)	108,236	243,641
CASH, January 1	223,206	223,206	-	114,970	114,970	-
CASH, December 31	\$ 64,662	\$ 729,566	\$ 664,904	\$ (20,435)	\$ 223,206	\$ 243,641

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SPECIAL ROAD AND BRIDGE						
RECEIPTS						
Property taxes	\$ 233,800	\$ 257,952	\$ 24,152	\$ 230,035	\$ 239,778	\$ 9,743
Intergovernmental	612,000	619,109	7,109	625,000	645,015	20,015
Charges for services	3,000	1,238	(1,762)	2,500	2,670	170
Interest	18,000	16,916	(1,084)	15,000	17,283	2,283
Other	18,000	50,820	32,820	13,500	9,773	(3,727)
TOTAL RECEIPTS	884,800	946,035	61,235	886,035	914,519	28,484
DISBURSEMENTS						
Salaries	283,000	272,596	10,404	262,500	245,719	16,781
Employee fringe benefits	79,790	66,637	13,153	80,670	66,356	14,314
Supplies	4,850	2,190	2,660	2,350	3,282	(932)
Insurance	14,000	22,073	(8,073)	13,000	11,627	1,373
Road and bridge materials	272,000	211,843	60,157	270,500	168,102	102,398
Equipment repairs	87,500	24,961	62,539	87,500	38,741	48,759
Rentals	5,000	-	5,000	5,000	235	4,765
Equipment purchases	140,000	148,229	(8,229)	140,000	115,709	24,291
Construction, repair and	8,300	-	8,300	59,494	61,200	(1,706)
CART payments to special road	170,000	174,486	(4,486)	200,000	171,881	28,119
Other	1,800	4,185	(2,385)	7,600	23,067	(15,467)
Transfers out	34,000	33,154	846	30,000	30,179	(179)
TOTAL DISBURSEMENTS	1,100,240	960,354	139,886	1,158,614	936,098	222,516
RECEIPTS OVER (UNDER) DISBURSEMENTS	(215,440)	(14,319)	201,121	(272,579)	(21,579)	251,000
CASH, January 1	261,801	261,801	-	283,380	283,380	-
CASH, December 31	\$ 46,361	\$ 247,482	\$ 201,121	\$ 10,801	\$ 261,801	\$ 251,000
ASSESSMENT FUND						
RECEIPTS						
Intergovernmental	\$ 107,885	\$ 90,619	\$ (17,266)	\$ 99,310	\$ 92,901	\$ (6,409)
Interest	900	1,075	175	-	1,207	1,207
Other	2,700	1,429	(1,271)	2,700	1,728	(972)
Operating transfers in	36,955	20,000	(16,955)	35,000	20,000	(15,000)
TOTAL RECEIPTS	148,440	113,123	(35,317)	137,010	115,836	(21,174)
DISBURSEMENTS						
Assessor	144,563	118,945	25,618	131,388	113,537	17,851
TOTAL DISBURSEMENTS	144,563	118,945	25,618	131,388	113,537	17,851
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,877	(5,822)	(9,699)	5,622	2,299	(3,323)
CASH, January 1	18,278	18,278	-	15,979	15,979	-
CASH, December 31	\$ 22,155	\$ 12,456	\$ (9,699)	\$ 21,601	\$ 18,278	\$ (3,323)

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

Year Ended December 31,						
2002			2001			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
LAW ENFORCEMENT						
TRAINING FUND						
RECEIPTS						
Charges for services	\$ 4,000	\$ 4,003	\$ 3	\$ 5,000	\$ 4,058	\$ (942)
Interest	-	299	299	420	542	122
TOTAL RECEIPTS	4,000	4,302	302	5,420	4,600	(820)
DISBURSEMENTS						
Sheriff	8,000	8,631	(631)	11,000	6,834	4,166
TOTAL DISBURSEMENTS	8,000	8,631	(631)	11,000	6,834	4,166
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	(4,329)	(329)	(5,580)	(2,234)	3,346
CASH, January 1	8,179	8,179	-	10,413	10,413	-
CASH, December 31	<u>\$ 4,179</u>	<u>\$ 3,850</u>	<u>\$ (329)</u>	<u>\$ 4,833</u>	<u>\$ 8,179</u>	<u>\$ 3,346</u>
PROSECUTING ATTORNEY						
TRAINING FUND						
RECEIPTS						
Charges for services	\$ 600	\$ 710	\$ 110	\$ 500	\$ 650	\$ 150
Interest	25	78	53	-	49	49
TOTAL RECEIPTS	625	788	163	500	699	199
DISBURSEMENTS						
Prosecuting Attorney	625	108	517	500	99	401
Transfers out	-	800	(800)	-	-	-
TOTAL DISBURSEMENTS	625	908	(283)	500	99	401
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(120)	(120)	-	600	600
CASH, January 1	1,322	1,322	-	722	722	-
CASH, December 31	<u>\$ 1,322</u>	<u>\$ 1,202</u>	<u>\$ (120)</u>	<u>\$ 722</u>	<u>\$ 1,322</u>	<u>\$ 600</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
LAKE PATROL FUND						
RECEIPTS						
Intergovernmental	\$ 30,000	\$ 38,726	\$ 8,726	\$ 33,827	\$ 26,507	\$ (7,320)
Interest	-	558	558	-	444	444
TOTAL RECEIPTS	30,000	39,284	9,284	33,827	26,951	(6,876)
DISBURSEMENTS						
Salaries	24,050	17,488	6,562	20,111	19,993	118
Employee benefits	2,522	1,945	577	4,462	2,759	1,703
Office expenditures	835	689	146	1,200	-	1,200
Equipment	2,000	1,862	138	10,108	10,891	(783)
Mileage and training	-	-	-	3,000	386	2,614
Other	1,500	1,078	422	708	101	607
TOTAL DISBURSEMENTS	30,907	23,062	7,845	39,589	34,130	5,459
RECEIPTS OVER (UNDER) DISBURSEMENTS	(907)	16,222	17,129	(5,762)	(7,179)	(1,417)
CASH, January 1	9,112	9,112	-	16,291	16,291	-
CASH, December 31	\$ 8,205	\$ 25,334	\$ 17,129	\$ 10,529	\$ 9,112	\$ (1,417)
RECORDERS MAINTENANCE						
RECEIPTS						
Charges for services	\$ 8,500	\$ 8,158	\$ (342)	\$ 5,000	\$ 5,695	\$ 695
Interest	1,300	2,452	1,152	-	2,137	2,137
Operating transfers in	-	4,141	4,141	3,400	674	(2,726)
TOTAL RECEIPTS	9,800	14,751	4,951	8,400	8,506	106
DISBURSEMENTS						
Office expenditures	15,750	3,792	11,958	5,040	2,211	2,829
TOTAL DISBURSEMENTS	15,750	3,792	11,958	5,040	2,211	2,829
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,950)	10,959	16,909	3,360	6,295	2,935
CASH, January 1	45,789	45,789	-	39,494	39,494	-
CASH, December 31	\$ 39,839	\$ 56,748	\$ 16,909	\$ 42,854	\$ 45,789	\$ 2,935

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

Year Ended December 31,

	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PROSECUTING ATTORNEY						
ADMINISTRATIVE COST FUND						
RECEIPTS						
Charges for services	\$ 4,400	\$ 5,107	\$ 707	\$ 4,000	\$ 4,420	\$ 420
Interest	700	694	(6)	750	740	(10)
TOTAL RECEIPTS	5,100	5,801	701	4,750	5,160	410
DISBURSEMENTS						
Other	-	802	(802)	515	1,016	(501)
Transfer out	15,750	15,708	42	4,000	4,000	-
TOTAL DISBURSEMENTS	15,750	16,510	(760)	4,515	5,016	(501)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,650)	(10,709)	(59)	235	144	(91)
CASH, January 1	12,221	12,221	-	12,077	12,077	-
CASH, December 31	\$ 1,571	\$ 1,512	\$ (59)	\$ 12,312	\$ 12,221	\$ (91)
SHERIFF DRUG FUND						
RECEIPTS						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL RECEIPTS	-	-	-	-	-	-
DISBURSEMENTS						
Drug buy operations	750	-	750	-	-	-
TOTAL DISBURSEMENTS	750	-	750	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(750)	-	750	-	-	-
CASH, January 1	1,001	1,001	-	1,001	1,001	-
CASH, December 31	\$ 251	\$ 1,001	\$ 750	\$ 1,001	\$ 1,001	\$ -
FEDERAL PRISONER MEDICAL FUND						
RECEIPTS						
Intergovernmental				\$ 20,000	\$ 6,328	\$ (13,672)
TOTAL RECEIPTS				20,000	6,328	(13,672)
DISBURSEMENTS						
Prisoner medical				20,000	6,772	13,228
TOTAL DISBURSEMENTS				20,000	6,772	13,228
RECEIPTS OVER (UNDER) DISBURSEMENTS				-	(444)	(444)
CASH, January 1				444	444	-
CASH, December 31				\$ 444	\$ -	\$ (444)

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
SHERIFF CIVIL FEES FUND						
RECEIPTS						
Charges for services	\$ 20,000	\$ 10,896	\$ (9,104)	\$ 7,000	\$ 11,884	\$ 4,884
TOTAL RECEIPTS	20,000	10,896	(9,104)	7,000	11,884	4,884
DISBURSEMENTS						
Office expenditures	-	4,696	(4,696)	500	2,145	(1,645)
Equipment	13,000	1,046	11,954	9,000	13,658	(4,658)
TOTAL DISBURSEMENTS	13,000	5,742	7,258	9,500	15,803	(6,303)
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,000	5,154	(1,846)	(2,500)	(3,919)	(1,419)
CASH, January 1	3,850	3,850	-	7,769	7,769	-
CASH, December 31	\$ 10,850	\$ 9,004	\$ (1,846)	\$ 5,269	\$ 3,850	\$ (1,419)
LOCAL EMERGENCY COMMISSION FUND						
RECEIPTS						
Intergovernmental	\$ 2,500	\$ 4,465	\$ 1,965	\$ 2,000	\$ 4,285	\$ 2,285
Interest	200	331	131	-	305	305
TOTAL RECEIPTS	2,700	4,796	2,096	2,000	4,590	2,590
DISBURSEMENTS						
Office expenditures	1,750	4,107	(2,357)	1,550	1,429	121
Mileage and training	750	900	(150)	1,150	753	397
TOTAL DISBURSEMENTS	2,500	5,007	(2,507)	2,700	2,182	518
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	(211)	(411)	(700)	2,408	3,108
CASH, January 1	7,853	7,853	-	5,445	5,445	-
CASH, December 31	\$ 8,053	\$ 7,642	\$ (411)	\$ 4,745	\$ 7,853	\$ 3,108
DOMESTIC VIOLENCE FUND						
RECEIPTS						
Charges for services	\$ 425	\$ 358	\$ (67)	\$ 440	\$ 435	\$ (5)
TOTAL RECEIPTS	425	358	(67)	440	435	(5)
DISBURSEMENTS						
Transfers out	425	413	12	690	480	210
TOTAL DISBURSEMENTS	425	413	12	690	480	210
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(55)	(55)	(250)	(45)	205
CASH, January 1	205	205	-	250	250	-
CASH, December 31	\$ 205	\$ 150	\$ (55)	\$ -	\$ 205	\$ 205

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

Year Ended December 31,

	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CIRCUIT CLERK INTEREST						
RECEIPTS						
Interest	\$ 2,000	\$ 4,036	\$ 2,036	\$ 2,200	\$ 5,440	\$ 3,240
TOTAL RECEIPTS	2,000	4,036	2,036	2,200	5,440	3,240
DISBURSEMENTS						
Circuit Clerk	13,950	4,235	9,715	2,097	2,100	(3)
TOTAL DISBURSEMENTS	13,950	4,235	9,715	2,097	2,100	(3)
RECEIPTS OVER (UNDER)	(11,950)	(199)	11,751	103	3,340	3,237
CASH, January 1	13,736	13,736	-	10,396	10,396	-
CASH, December 31	\$ 1,786	\$ 13,537	\$ 11,751	\$ 10,499	\$ 13,736	\$ 3,237
LAW LIBRARY FUND						
RECEIPTS						
Charges for services	\$ 3,600	\$ 3,992	\$ 392	\$ 3,500	\$ 3,724	\$ 224
TOTAL RECEIPTS	3,600	3,992	392	3,500	3,724	224
DISBURSEMENTS						
Law library	3,650	3,656	(6)	3,500	4,054	(554)
TOTAL DISBURSEMENTS	3,650	3,656	(6)	3,500	4,054	(554)
RECEIPTS OVER (UNDER)	(50)	336	386	-	(330)	(330)
CASH, January 1	3,669	3,669	-	3,999	3,999	-
CASH, December 31	\$ 3,619	\$ 4,005	\$ 386	\$ 3,999	\$ 3,669	\$ (330)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	\$ 158,315	\$ 159,854	\$ 1,539	\$ 147,000	\$ 148,492	\$ 1,492
Intergovernmental	577,750	561,688	(16,062)	138,340	577,786	439,446
Tax anticipation note	-	140,000	140,000	130,000	85,000	(45,000)
Bank loan	-	18,500	18,500	-	-	-
Interest	1,000	1,369	369	2,200	1,199	(1,001)
Other	11,800	16,722	4,922	538,200	33,116	(505,084)
TOTAL RECEIPTS	748,865	898,133	149,268	955,740	845,593	(110,147)
DISBURSEMENTS						
Salaries	562,090	629,160	(67,070)	541,528	536,241	5,287
Office expenditures	8,000	50,098	(42,098)	5,000	11,223	(6,223)
Equipment	10,000	13,878	(3,878)	17,000	9,936	7,064
Mileage and training	15,000	14,779	221	33,000	17,152	15,848
Program costs	46,500	106,376	(59,876)	201,612	77,271	124,341
Other	46,500	1,466	45,034	44,150	70,788	(26,638)
Tax anticipation note-including	89,920	89,976	(56)	100,000	118,686	(18,686)
TOTAL DISBURSEMENTS	778,010	905,733	(127,723)	942,290	841,297	100,993
RECEIPTS OVER (UNDER)	(29,145)	(7,600)	21,545	13,450	4,296	(9,154)
CASH, January 1	15,013	15,013	-	10,717	10,717	-
CASH, December 31	\$ (14,132)	\$ 7,413	\$ 21,545	\$ 24,167	\$ 15,013	\$ (9,154)

The accompanying Notes to the Financial Statements are an integral part of this statement.

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS (continued)

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	\$ 2,000	\$ 3,029	\$ 1,029	\$ 500	\$ 1,611	\$ 1,111
Interest	75	160	85	25	135	110
TOTAL RECEIPTS	2,075	3,189	1,114	525	1,746	1,221
DISBURSEMENTS						
Election	3,700	1,505	2,195	800	330	470
TOTAL DISBURSEMENTS	3,700	1,505	2,195	800	330	470
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,625)	1,684	3,309	(275)	1,416	1,691
CASH, January 1	3,591	3,591	-	2,175	2,175	-
CASH, December 31	\$ 1,966	\$ 5,275	\$ 3,309	\$ 1,900	\$ 3,591	\$ 1,691
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for services	\$ -	\$ 134	\$ 134			
TOTAL RECEIPTS	-	134	134			
DISBURSEMENTS						
Office expenditures	-	134	(134)			
TOTAL DISBURSEMENTS	-	134	(134)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-			
CASH, January 1	-	-	-			
CASH, December 31	\$ -	\$ -	\$ -			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

ST. CLAIR COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various County funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the County budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the Tax Maintenance Fund.

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

C. Budgets and Budgetary Practices (continued)

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2002
Prosecuting Attorney Training Fund	2002
Prosecuting Attorney Administrative Cost Fund	2002, 2001
Sheriff Civil Fees Fund	2001
Local Emergency Planning Commission Fund	2002
Circuit Clerk Interest Fund	2001
Law Library Fund	2002, 2001
Health Center Fund	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

The budgeted expenditures exceeded budgeted receipts plus beginning cash balances in the General Fund for 2001 and the Health Center Fund for 2002.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The County's published financial statements for the years ended December 31, 2002 and 2001, included all funds presented.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

2. Cash (continued)

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the County rather than to specific county officials.

The County's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the County's custodial bank in the County's name.

The Health Center's deposits at December 31, 2002 and 2001 were entirely covered by federal depository insurance.

To protect the safety of County deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure County deposits not insured by the Federal Deposit Insurance Corporation.

3. General Long-Term Debt

In 2000, the County entered into a cancellable lease purchase agreement to finance the construction of a jail. The agreement requires annual payments of \$109,776, which includes interest at 8.90% until 2022.

In 2002, the County entered into a cancellable lease purchase agreement to finance the purchase of three John Deere tractors at a cost of \$127,791. The agreement requires annual payments of \$28,036, which includes interest at 4.75%.

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

3. General Long-Term Debt (continued)

In 2002, the County entered into a cancellable lease purchase agreement to finance the purchase of a Motor road grader at a cost of \$153,066. The agreement requires annual payments of \$15,899 which includes interest at 4.80%.

In 2002, the County entered into a cancellable lease purchase agreement to finance the purchase of five International trucks at a cost of \$278,848. The agreement requires annual payments of \$61,273, which includes interest at 4.87%.

Although the agreements provide for cancellation of the leases if the County should fail to appropriate funds at the annual renewal dates, the County does not foresee exercising its options to cancel.

The annual requirements to amortize the principal of the leases are as follows:

Year Ended December 31,	Jail	Motor Road Graders Lease	Five International Trucks Lease	John Deere Tractors Lease	Total Lease Payments
2003	\$ 109,776	\$ 15,899	\$ 61,273	\$ 28,036	\$ 214,984
2004	109,776	15,899	61,273	28,036	214,984
2005	109,776	15,899	61,273	28,036	214,984
2006	109,776	121,899	61,273	28,036	320,984
2007	109,776	-	-	-	109,776
Thereafter	1,538,249	-	-	-	1,538,249
	2,087,129	169,596	245,092	112,144	2,613,961
Portion representing interest	(1,106,421)	(25,082)	(27,517)	(12,390)	(1,171,410)
Minimum future lease payments	\$ 980,708	\$ 144,514	\$ 217,575	\$ 99,754	\$ 1,442,551

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

3. General Long-Term Debt (continued)

The following is the changes in long-term debt for the years ended December 31, 2002 and 2001:

	Balance December 31, 2001	Additions	Retirements	Balance December 31, 2002
Capital Lease Obligations				
2001 Jail Construction Lease	\$ 1,000,000	\$ -	\$ 19,292	\$ 980,708
2002 Motor Grader Lease	-	153,066	8,552	144,514
2002 Five International Trucks Lease	-	278,848	61,273	217,575
2002 John Deere Tractors Lease	-	127,791	28,037	99,754
TOTAL	<u>\$ 1,000,000</u>	<u>\$ 559,705</u>	<u>\$ 117,154</u>	<u>\$ 1,442,551</u>

	Balance December 31, 2000	Additions	Retirements	Balance December 31, 2001
Capital Lease Obligations				
2001 Jail construction Lease	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
2000 Grader Lease	174,747	-	174,747	-
TOTAL	<u>\$ 174,747</u>	<u>\$ 1,000,000</u>	<u>\$ 174,747</u>	<u>\$ 1,000,000</u>

4. Going Concern - St. Clair County Health Center

The St. Clair County Health Center, in order to meet cash flow needs, has issued tax anticipation notes of \$85,000 and \$140,000 for the years ended December 31, 2001 and 2002, respectively. The Health Center also has an outstanding line of credit of \$18,500 and a payroll tax liability with the IRS of \$52,228. For the year ended December 31, 2002, the Health Center had cash receipts of \$739,633 which does not include loan or note proceeds. Cash disbursements totaled \$815,757 which does not include a repayment of \$89,976 on the previous years tax anticipation note. If cash receipts and disbursements remained unchanged for the next year and taking into account the repayment of the \$140,000 current year tax anticipation note and payroll tax liability, the amount the Health Center would need to issue in tax anticipation notes would exceed the amount the Health Center is able to collect in tax receipts.

ST. CLAIR COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

4. Going Concern - St. Clair County Health Center (continued)

Management, in order to address these concerns, is trying to secure financing through a sale lease-back on the Health Center's facility. Management has also proposed eliminating two positions at an annual savings of approximately \$38,000. Management has also reduced three positions from a five day work week to four. Management plans also include steps to increase cash receipts by adding days worked for the nurse practitioner at the Osceola Rural Health Clinic. Management expects more citizens will utilize the clinic for regular care with the increased availability of the nurse practitioner. Management has also hired a consultant to review billings and collections and to make recommendations for reducing uncollected fees. Management also has plans to set a fee for food inspection activities which currently are not being charged. In addition to the reduction in cash disbursements through changes in the staffing pattern, management anticipates an additional increase in cash receipts of \$100,000 through marketing of the clinic services and implementing better billing and collection procedures. If these steps do not allow for the reduction in short-term borrowings, management will consider further reductions in staff in order to meet its cash flow requirements.

5. Claims and Judgments

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2002, significant amounts of grant expenditures have not been audited by grantor governments, but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

Supplementary Schedule

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/ Pass Through Grantor/ Program Title	Pass-through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
	U.S. DEPARTMENT OF AGRICULTURE			
	Direct program			
10.766	Community Facilities Loans and Grants	29-93-431872703	\$ -	\$ 900,000
	Department of Health			
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	ERS045-1193W	-	\$ 21,371
		ERS045-2193	24,050	12,629
		ERS045-3193W	15,592	-
	TOTAL U.S. DEPARTMENT OF		39,642	934,000
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Department of Economic Development			
14.228	Community Development Block Grant	99-PF-10	-	82,103
	Department of Social Services			
14.231	Emergency Shelter Grants Program	ERO 16440398	24,303	15,455
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		24,303	97,558
	U.S. DEPARTMENT OF JUSTICE			
	Department of Public Safety			
16.592	Local Law Enforcement Block Grant	2000-LBG-080	-	4,158
	TOTAL U.S. DEPARTMENT OF JUSTICE		-	4,158
	U.S. DEPARTMENT OF TRANSPORTATION			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-093	15	61,200
		COE-093	-	14,861
	State Emergency Management Assistance			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	3,131	2,182
	TOTAL U.S. DEPARTMENT OF		3,146	78,243
	GENERAL SERVICES ADMINISTRATION			
	Office of Administration			
39.003	Federal Surplus Property	N/A	6,768	366
	TOTAL GENERAL SERVICES		6,768	366

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Schedule

ST. CLAIR COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Federal CFDA Number	Federal Grantor/ Pass Through Grantor/ Program Title	Pass-through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
	U.S. DEPARTMENT OF HEALTH AND			
	Department of Health			
93.268	Immunization Grants	N/A	32,770	19,147
	Department of Social Services			
93.563	Child Support Enforcement	N/A	-	3,986
93.569	Community Services Block Grant	AOC00380269	77,714	77,775
	Department of Health			
93.575	Child Care and Development Block Grant	N/A	55	193
93.919	Cooperative Agreements for State -Based			
	Comprehensive Breast and Cervical Cancer			
	Early Detection Programs	ERS161-10067	-	4,500
		ERS161-20066	2,781	-
93.994	Maternal and Child Health Services			
	Block Grant to the States	ERS146-1193M	-	12,891
		ERS146-2193M	10,483	-
		ERS146-3193M	1,469	-
		Immunizations	353	2,153
	TOTAL U.S. DEPARTMENT OF			
	HEALTH AND HUMAN SERVICES		125,625	120,645
	TOTAL EXPENDITURES OF FEDERAL		\$ 199,484	\$ 1,234,970

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

ST. CLAIR COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by St. Clair County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$32,770 and \$19,147 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2002 and 2001. Of the remaining amounts for the Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2002 and 2001.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

Independent Auditors' Report

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of St. Clair County, Missouri

Compliance

We have audited the compliance of St. Clair County, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2002 and 2001. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Clair County, Missouri's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Clair County, Missouri's compliance with those requirements.

In our opinion, St. Clair County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2002 and 2001.

To the County Commission and
Officeholders of St. Clair County, Missouri

Internal Control Over Compliance

The management of St. Clair County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered St. Clair County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and to be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

DAVIS, LYNN & MOOTS, P.C.
February 13, 2003

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (INCLUDING MANAGEMENT'S PLAN FOR
CORRECTIVE ACTION)
Years Ended December 31, 2002 and 2001

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

x Yes No

Reportable conditions identified that are not considered to be material weaknesses?

 Yes x No

Noncompliance material to the financial statements noted?

x Yes No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

 Yes x No

Reportable conditions identified that are not considered to be material weaknesses?

 Yes x Nonreported

Type of auditors' report issued on compliance for major program(s):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

 Yes x No

Identification of major program(s):

CFDA or Other

Identifying Number Program Title

10.766 Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? Yes x No

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (INCLUDING MANAGEMENT'S PLAN FOR
CORRECTIVE ACTION)
Years Ended December 31, 2002 and 2001

Section II - Financial Statement Findings

Compliance

02-1. Payroll Tax Withholdings

Condition: During the year ended December 31, 2001, payroll tax withholdings totaling \$52,228 were not remitted to the State of Missouri or federal government as required by state and federal regulations.

Criteria: State and federal tax withholdings are to be remitted in accordance with state and federal regulations.

Effect: The cash disbursements for 2001 do not include all required tax disbursements. Also, the St. Clair County Health Center is subject to interest and penalties. As a result, St. Clair County is not in compliance with state and federal regulations.

Recommendation: We recommend all tax withholdings be remitted in accordance with state and federal regulations.

Response: The St. Clair County Health Center is currently making the required payroll tax deposits and is also paying \$1,000 a month on the outstanding payroll tax liability.

Internal Control Over Financial Reporting

02-2 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the combined financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (INCLUDING MANAGEMENT'S PLAN FOR
CORRECTIVE ACTION)
Years Ended December 31, 2002 and 2001

Internal Control Over Financial Reporting (continued)

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibit segregation of incompatible duties.

02-3. Cash reconciliations

Condition: Cash reconciliations of bank accounts to the general ledger were not performed in the current year at the St. Clair County Health Center.

Criteria: Cash reconciliations are an important part of the accounting process and should be performed on a monthly basis.

Effect: Risk is that financial statements could be misstated due to incorrect or missing transactions in the accounting system.

Recommendation: We recommend all accounts be reconciled to the general ledger in a timely manner.

Response: Cash reconciliations will be performed monthly on a timely basis in the current fiscal year.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

ST. CLAIR COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

ST. CLAIR COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

To the County Commission
and
Officeholders of St. Clair County, Missouri

In planning and performing our audit of the special-purpose financial statements of St. Clair County, Missouri for the years ended December 31, 2002 and 2001, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of some matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Investment Policy

During our audit, we noted that the County does not have a formal written investment policy that details the County's philosophies, policies and goals. The policy would allow the County to maximize the income earned on investments at an acceptable level of risk.

We Recommend:

The County adopt an investment policy which addresses the investment goals, the targeted return for investments, and the amount of risk that is acceptable.

2. Budgetary Statute

The County was not in compliance with Sections 50.525 through 50.745, RSMo for the years ended December 31, 2002 and 2001. Actual expenditures exceeded budgeted expenditures in the Prosecuting Attorney Training Fund, Prosecuting Attorney Administrative Cost Fund, Local Emergency Planning Commission Fund, and Health Center Fund.

We Recommend:

The County amend the budget as necessary to ensure actual expenditures do not exceed budgeted expenditures. State statutes require that budget amendments be adopted throughout the year as additional expenditures in excess of the original budget are authorized by County management. The County should also adopt a budget for all funds.

3. Cash Reconciliations - St. Clair County Health Center

The Health Center performed cash reconciliations during the year, however, cash was not reconciled to the general ledger. This is a necessary internal control to ensure all transactions have been properly recorded.

We Recommend:

The Health Center prepare monthly cash reconciliations that reconcile to the general ledger on a monthly basis.

4. Accounting Software and Monthly Financial Reporting

The St. Clair County Health Center general ledger was out of balance in that debits did not equal credits. Accounting software should never allow a one-sided entry to be made. As a result of this, numerous miscodings occurred in the general ledger as well as cash not being reconciled to the general ledger. Management and the Board of Trustees have not received accurate financial reports during the year. Management and the Board of Trustees must have accurate and complete financial reports in order to make sound financial decisions.

We Recommend:

The Board of Trustees require from management accurate and complete financial reports prepared from the accounting system on a monthly basis. This will require County personnel to receive training on the accounting software. The Health Center may also need to seek professional accounting assistance in order to correct the general ledger.

5. Payroll Tax Deposits

During our audit, we noted that not all of payroll tax deposits have been remitted to the appropriate government agency for the year ended December 31, 2001. This has resulted in a liability of approximately \$52,000. In addition to this liability the Health Center will be subject to interest on this liability. Also, the Health Center may be subject to penalties imposed by the state and/or federal government.

We Recommend:

The County remit all payroll tax withholdings in the time required by state and federal regulations.

6. Financial Condition - St. Clair County Health Center

During our audit, we noted that the St. Clair County Health Center has had to increase its short-term loans in order to meet its cash flow requirements. However, if cash receipts and disbursements remain unchanged the Center will need to borrow more than what the Center will collect in tax revenues. Management has developed plans to deal with this situation. However, if these plans are not sufficient enough to reduce cash disbursements or increase cash receipts to a level which would permit the Health Center to issue a tax anticipation note in an amount sufficient enough to meet its cash flow requirements, then further reductions in staff will be necessary.

We Recommend:

The Board of Trustees, as well as the County Commission monitor this situation closely and take any steps necessary to ensure that the Center can meet its financial obligations.

We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as St. Clair County Missouri's independent auditor and the courtesies and assistance extended to us by the County's employees.

Original Signed by Auditor

DAVIS, LYNN & MOOTS, P.C.
February 13, 2003